

INCOMING TELEGRAM

DEPARTMENT OF STATE A/GDC/MR

REVIEWED BY *P. C. C. C.*

DATE *7/15/58*

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Department of State

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REASON(S)

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Joint State/ICA mission

Date of Action *7/15*

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FROM: Taipei

TO: Secretary of State

NO: 46, July 15, 5 p.m.

PRIORITY

JOINT EMBASSY/ICA MESSAGE

Embassy and ICA mission have been informed that, as part of general realignment of executive branch of Chinese Government associated with designation of Chen Cheng as Premier, Chinese Government plans to abolish Economic Stabilization Board (ESB) and reorganize its subcommittees. At same time, Council on US Aid (CUSA) would be upgraded through assumption chairmanship by Prime Minister. CUSA would become new forum for exchange of views between American and Chinese officials on aid problems and related subjects. CUSA would meet twice monthly, as does ESB, but American observers would attend only every other meeting.

Under plan, present ESB Committee A (Finance) and probably also Committee C (Budget), would report to Minister of Finance and would perform purely advisory role. Committee B (Prices and certain supply problems) would have similar relation to Minister of Economic Affairs and might lose its identity entirely, becoming merely a working group within Ministry of Economic Affairs. Committee D (Agriculture) and Industrial Development Commission would probably retain present form, but would report to CUSA, rather than to ESB. Latter, however, might be disbanded and staff and functions divided between Ministry of Economic Affairs and Central Trust of China. American observers would still be invited to attend reorganized ESB committees, insofar as they retained their separate identities.

Planned move is explained as attempt to simplify administration and centralize authority. Chinese officials have for some time voiced feeling that present ESB and committee structure decentralizes and disperses decision-making to point where control

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and coordination become difficult if not impossible. Some Chinese officials (including some legislators) have, moreover, reportedly seen some derogation of Chinese sovereignty in participation of American observers in deliberations on wide range of subjects not (repeat not) directly connected with US aid. Secretary-General of CUSA has also pointed out that legal status of ESB had never been clarified, whereas CUSA has clear mandate to carry out bilateral aid agreement with US.

Abolition of ESB was to have been formally decided at Cabinet meeting of July 16. Action postponed at request of ICA mission director until July 23 to permit advance notification US Government. If Department or ICA/W have any reservations, please instruct soonest. Embassy and ICA mission believe that little if anything will be lost in contemplated change and that possibly something will be gained. We will have one central point for all our negotiations and discussions related to aid matters and our participation in those discussions will now be clearly linked in Chinese eyes to aid administration. At same time efficiency of Chinese Government may increase as result of de-emphasis in at least one field of government by committees.

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